

## Message Text

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ACTION EB-07

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UNCLAS MILAN 2768

E.O. 11652: N/A  
TAGS: EPAP, ECON, ETRD, IT  
SUBJECT: ITALIAN TEXTILE INDUSTRY EXPERIENCES BOOM IN 1976

1. ITALIAN TEXTILE INDUSTRY, WHICH CONSISTUTES ABOUT 10 PERCENT OF ALL ITALIAN INDUSTRY, APPEARS TO HAVE REGAINED VIGOR IT SHOWED IN 1974 AFTER LAST YEAR'S POOR PERFORMANCE. PRODUCTION INCREASE APPEARS TO BE RESPONDING TO HEAVY EXPORT DEMAND, ESPECIALLY SINCE, AS EXECUTIVE OF RETAIL DEPARTMENT STORE CHAIN TOLD US, DOMESTIC SALES IN REAL TERMS ARE STILL DEPRESSED.

2. DURING THIRD QUARTER OF 1976 LOMBARDY PRODUCTION FIGURES SHOWED AN INCREASE OF OVER 15 PERCENT ABOVE SAME QUARTER OF 1975, AND INDUSTRY WAS OPERATING AT 77.5 PERCENT OF CAPACITY ACCORDING TO MILAN INDUSTRIALISTS' ASSOCIATION ASSOLOMBARDA. (ABOUT 60 PERCENT OF ITALY'S COTTON INDUSTRY AND 30 PERCENT OF ITS WOOL, FIBER, AND CLOTHING INDUSTRIES ARE SITUATED IN LOMBARDY.)

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3. MAN-MADE FIBER SECTOR REMAINED ONLY PART OF INDUSTRY HAVING MAJOR DIFFICULTIES. EVEN HERE, HOWEVER, LOSSES ARE MOSTLY THOSE OF ITALIAN CONGLOMERATE MONTEDISON'S MONTEFIBRE. CCORDING TO INDUSTRY SPOKESMEN, OTHER FIBER PRODUCERS ARE EXPERIENCIN NO SERIOUS PROBLEMS.

4. IN RESPOSE TO CONTINUED HIGH DEMAND FOR BLUE DENIMS, ITALIAN PRODUCERS DOUBLED ANNUAL CAPACITY FROM 25 TO 50 MILLION METERS DURING 1976. CAPACITY INCREASE COULD AFFECT SALES OF US BLUE DENIM PRODUCERS, UP TO NOW VERY SUCCESSFUL IN ITALY, ALTHOUH SOME SOURCES CONSIDER DEMAND FOR US PRODUCT QUITE STABLE. ADDITIONALLY SOME TRADE SOURCES HAVE ADMITTED MEASURED CONCERN THAT RECENT SLOWDOWN IN RETAIL BLUE JEANS SALES MAY INDICATE CHANGING TASTES AND THAT DEMAND MAY NEVER AGAIN REACH LEVEL OF PAST MONTHS.

5. PRODUCERS ARE OPTIMISTIC THAT HEAVY PRODUCTION WILL CONTINUE THROUGH 1977, WE HAVE BEEN TOLD BY MILAN BASED ITALIAN TEXTILE ASSOCIATIONS. CONFIRMING THIS OPTIMISM IS RELATIVELY HIGH LEVEL OF INVESTMENT CURRENTLY TAKING PLACE IN INDUSTRY. (ASSOCIATIONS ADD THAT ACTUAL INVESTMENT SUBSTANTIALLY HIGHER THAN REPORTED INVESTMENT DUE TO TAX LAWS AND UNION CONSIDERATIONS.) CONFIDENCE IS PARTICULARLY HIGH THAT GOOD QUALITY ITALIAN FABRICS WILL CONTINUE VERY COMPETITIVE ON INTERNATIONAL AND DOMESTIC MARKETS.FINA

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